

# Analyzing Impacts of the Economic Crisis on the Pre–Start–Up Process of Business Students in Germany

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## **Abstract**

The article is part of the empirical research project “Starting up Businesses and Entrepreneurship by Students” (GEST–study) and analyzes potential impacts of the economic crisis on the pre–start–up process of business students surveyed before and during the downturn at four German universities (of applied sciences), what supports the advancement of entrepreneurship education and support within two different macroeconomic contexts. Though in Germany recessions typically animate more persons to self–employment, these business start–ups are mostly based on necessity–driven entrepreneurship. But particularly opportunity entrepreneurship has positive effects on economic growth and employment. Whereas no significant differences can be detected regarding their start–up propensities, the economic crisis indeed has heightened the intended start–up time as well as the necessity–driven start–up motivation of the surveyed business students, but not their start–up motivation from economic self–realization. Therefore, self–employment as

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- *Pre-start-up process*
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vocational alternative has to be highlighted stronger and entrepreneurial basic knowledge has to be taught adequately to the students so that they are able to mature as potential entrepreneurs at their universities – the location where specialized knowledge about their subsequent professionalism is imparted – what facilitates them to generate future innovations accompanied by enduring and high-skilled employment.

## 1. Introduction

The universal objective of improving the economic competitiveness is based on systematic discussions about entrepreneurship and the capability of innovation. In Europe entrepreneurship and entrepreneurship education have been comprised intensely as strategic topic into the politico-economic agenda since the Lisbon Agenda 2000, when the European heads of governments – based on research results about the positive impacts of innovative business start-ups on employment, growth, and competition – declared the conjoint aim to develop the European Union until 2010 to the most competitive and most dynamic knowledge-based economic area worldwide – accompanied by more employment as well as higher-qualified jobs (European Council 2000; Ofstad 2008). Within the scope of such a challenge of the major industrial countries, Germany seems to be successively forfeiting its “leading” position in the arena of highly advanced technology. Therefore, established as well as new innovative business ventures comprise a crucial criterion in preserving Germany’s economic position. After the slump of the stock exchange prices at the *Neuer Markt*<sup>(1)</sup> the business creation euphoria in Germany as well as

the afore strong academics’ start-up interest unfortunately slashed immensely, what was reflected in strongly dropped business creations within technology-oriented and knowledge-based sectors since 2001 (ZEW 2005; Breuer 2006). For years, liquidations have outbalanced the quantity of new enterprises, and additionally, solely few business creations actually add with recently generated products and services to new innovations. Especially high-potential firms boosting innovations in Germany based on structure-amending and market-skimming products, processes and service developments represent the lowest business start-up quantity. Only an enhancement of newly founded enterprises creating high-skilled labor could solve this German innovation gap (Reinemann 2006; Ruda/Martin/Danko 2009b).

Evidently, the recent economic crisis has not contributed beneficially to this challenge. Amongst others, it was accompanied by reduced venture capital investments, what has handicapped the creation of new innovative enterprises. Since fall 2008, when the financial markets experienced their strongest economic slump since the global

(1) German for “New Market” – a segment of the German stock exchange that included New Economy companies.